Regulation (39)-29-111(1)(a).

Every producer or purchaser who disburses funds owed to any person owning a working interest, a royalty interest, a production payment, or any other interest in any oil or gas produced in Colorado shall withhold one percent (1%) of the gross income from such payments; except, no withholding shall be taken from payments for:

- (I) interests held by the United States of America;
- (II) interests held by the State of Colorado or any political subdivisions of the state of Colorado;
- (III) interests held by the Southern Ute Indian Tribe or the Mountain Ute Indian Tribe, or
- (IV) On or after January 1, 2000, any production exempt from the tax imposed by 39-29-105(1)(a) or (b), C.R.S.

Producers and purchasers do not have to register wells with production exempt under section 39-29-105(1)(b), C.R.S. where the well API number shows exempt levels of monthly production on the conservation levy records of the Colorado Oil and Gas Conservation Commission. Producers or purchasers who wish to register wells with the Department should submit on Department Form DR 23 all newly qualified low production wells by API well number. Wells only have to be registered in the first quarter in which the well produces at exempt levels.

Regulation (39)-29-111(2).

Every producer or first purchaser who withholds as provided in subsection (1) of this section shall furnish an annual report to the Department of Revenue on a calendar year basis reflecting: The gross royalty income, the amount withheld, and any ad valorem tax attributable to the particular royalty interest and not claimed by the producer or the first purchaser. The amount withheld by the producer or first purchaser may be claimed as a credit by the royalty interest owner of oil and gas or oil shale production when such party files a return as required under Section 39-29-112. If the credit for the amount withheld exceeds the tax shown on the return, the excess credit shall be refunded to the royalty interest owner.